

Accounting Information Systems in Making Credit Decision

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Abstract- Credit decisions are considered the cornerstone in the strategic planning of bank system with regard to the deviation of granting credit because it involves the basics, standards, conditions, scope, powers and types of bank credit, whether internal or external. It may also constitute an abutment (or pivot) in drawing the backing and alternative policies and in taking the corrective steps at the level of economic, financial and monetary policies and this originates from the facts that the new credit policy should be presented on an objective and appropriate basis for the financing (or funding), organizational and technical conditions and potentialities of the bank system which it serves.

Index Terms- credit, bank, planning, policies, financing

I. INTRODUCTION

The volume of bank activity in the last years in Libya whereas the banks collect savings and offer the financing (or funding) necessary for the growth of activity in the various economic fields and the very collection of savings is not considered a goal which banks aim at achieving but it is rather a means for the achievement of the general objective of banks which is the realization of profit and contribution in the national economic development whereas banks undertake to invest the funds deposited thereupon in several of the various aspects of activity.

II. STUDY HYPOTHESES

First hypothesis:

Accounting information systems in the Libyan commercial banks are inefficient in terms of satisfaction of requirements of the process of planning credit operations.

Second hypothesis:

Accounting information systems in the Libyan commercial banks are inefficient in terms of satisfaction of requirements of the process of control on credit operations.

Third hypothesis:

Accounting information systems in the Libyan commercial banks are inefficient in terms of fulfillment of the process of taking credit decisions.

III. OBJECTIVES OF THE STUDY

The objective of this study is represented in an attempt to identify the extent of efficiency of the accounting information systems in the Libyan commercial banks, but the detailed objectives of the study are:

- Statement of the extent of efficiency of the accounting information systems in the Libyan commercial banks in terms of fulfillment of requirements of management to undertake its functions as for planning, control and the taking of decisions.
- Statement of the extent of the reliance of administrations in the Libyan bank of the accounting information systems therein in order to undertake their functions.

IV. SIGNIFICANCE OF THE STUDY

The significance of the study originates from the objective after which it seeks. The significance also came to light from the field to be tackled by the study which is the bank sector whereas it is considered one of the significant economic sectors in Libya and therefore, the significance of the study lies in the fact that it treats one of the economic matters directly linked to the accounting information in order to inquire about the extent of their efficiency in guiding credit policies.

V. METHODOLOGY OF THE STUDY

This study relies on the theoretical and field study whereas the theoretical study relies on what is written on the accounting literature and the information systems literature with regards to the topic of the study and on the annual reports issued by Libya Central Bank.

VI. BASIC ELEMENTS OF INFORMATION SYSTEMS

The basic elements of information systems may be defined as per the following:

A – Information systems subsystems: administrative information systems may be partitioned as being a whole system into a group of subsystems and these subsystems into a number of secondary systems and as such.

B – Information system elements: it involves the administrative information systems but the basic system's elements include any other system represented in the inputs, processing operations, outputs and feedback.

VII. ACCOUNTING INFORMATION SYSTEMS

Accounting information systems are considered a part of the overall system of information and this system plays a significant and efficient role represented in the supply of the various levels

of decision taking with ready, correct and accurate information in due time which shall contribute in taking the various administrative decisions.

Factors that influence the effectiveness and efficiency of the accounting information systems in banks:

In the light of the continuous and accelerating developments that occur in the information systems and their positive impacts on the financial performance for the business establishments, the effectiveness and efficiency of such systems turned to be among the matters that necessitate concern (or interest) and their utilization shall be altogether.

Bank credit and role of accounting information in credit granting decisions

Granting credit represents one of the most significant bank activities. Banks receive funds and deposits from others and became indebted to the owners of such funds. They also lend their customers loans needed by them and they turn to be indebted thereby, the matter that prompted some to say that banks trade in the debts represented in their debts and the debts of others.

Role of accounting information in making credit decision

1. **A synopsis on the customer/** date of establishment of customer's activity, the study of the economic sector to which belongs the customer, personal information about projects owners and their qualifications, reputation and behaviors as well as the legal form of customer.
2. **Objective of facilities/** is the objective logical and does the objective realize a financial feasibility and the legality of the objective as for the legal and moral aspects.

VIII. CONCLUSIONS AND RECOMMENDATIONS

The study has aroused a group of questions and has also presented hypotheses that pertained to the nature of effectiveness of accounting information systems and it has attained several findings that contributed in solving the problem of the study and has answered to questions and hypotheses thereof. The study is trying here to refer to the most prominent of these conclusions.

1. The findings of the analysis indicated that the level of effectiveness of accounting information systems in Libyan commercial banks in fulfilling the requirements of the credit planning operation was high and referred to the existence of impact and relationship of statistical and abstract indication to use the accounting information on the administrative performance in the fields of planning, control and decisions-taking which was also confirmed by the financial reports of the Libyan commercial banks sample in terms of the volume of revenues, indicating that they increased, which is a natural matter since planning is considered one of the significant elements in the increase of revenues and decline of expenditures at the long range
2. The results (or findings) of analysis indicated that the level of effectiveness of accounting information systems in Libyan commercial banks in fulfilling the

requirements of the control operation on credit granting operations was high. This finding referred to the fact that there is, in the conformity between the design of accounting information system and the requirements of coordination and organizational control, a more successful system and the conformity between the design of the system and such requirements contributes in giving the impression of effectiveness of control and accuracy of information.

3. The findings of statistical analysis referred to the fact that the level of effectiveness of accounting information systems in the Libyan commercial banks in fulfilling the requirements of the process of making credit decisions was high and came to the fact that the good standard implementation of accounting information systems helps in improving the process of decisions making by managers with regard to the credit granting decisions, besides the fact that it helps the improvement of internal control and quality of financial reports.

IX. RECOMMENDATIONS

According to the findings obtained from the reality of statistical analysis of data, the following recommendations were deduced:

1. Emphasize the continuous improvement of accounting information systems in the Libyan native commercial banks, the matter that shall enable them to go along with the technological developments in the financial and accounting field in such a way to be positively reflected on the functions (or occupations) of the administration of the bank in terms of planning, control and credit decisions making.
2. Necessity to make specialized personnel participate in the operation of designing and building information systems in such a way to agree with nature and necessities of users thereto, the matter that realizes of the features of accounting information quality such as the final outputs of such systems.
3. Necessity to work towards spreading the accounting and banking consciousness (or awareness) between the companies and businessmen.
4. Work towards the continuation of qualifying and training personnel in the field of accounting information systems and prop them up with qualified and trained skills capable of upholding and continuing the processes of building and developing such systems.

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